Department of Finance

News Release

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Government of Canada Appoints Expert Panel to Review Securities Regulation

The Honourable Jim Flaherty, Minister of Finance, today announced the chair and members of an expert panel charged with providing advice and recommendations on securities regulation in Canada.

"I am asking the panel to develop a model common securities act to create a Canadian advantage in global capital markets," said Minister Flaherty. "This effort will build on positive steps taken in recent years by the full range of partners, including provinces, territories and regulators, contributions by private sector groups, and international best practice."

The expert panel will provide independent advice and recommendations to ministers—federal, provincial and territorial—on the best way forward to improve securities regulation in Canada.

The expert panel will be chaired by the Honourable Tom Hockin, P.C., former Minister of State (Finance) and former president of the Investment Funds Institute of Canada. Also appointed are:

- Ian D. Bruce, Chief Executive Officer, Peters & Co Limited.
- Denis Desautels, Executive-in-Residence, University of Ottawa, and former Auditor General of Canada.
- Hal Kvisle, President and CEO, TransCanada Corporation.
- Dawn Russell, QC, Associate Professor, former Dean of Law, Dalhousie University.
- Terry Salman, Chairman, President and CEO, Salman Partners Inc.
- Heather Zordel, Partner, Cassels Brock & Blackwell LLP.

Also appointed today are special advisors to the panel:

- Howard Davies, Director of the London School of Economics and former chairman of the United Kingdom's Financial Services Authority (FSA).

- David Green, Advisor on International Affairs, Financial Reporting Council and former senior executive with the FSA.

- Peter W. Hogg, QC, Scholar in Residence at Blake, Cassels & Graydon LLP and professor emeritus, Osgoode Hall Law School, York University.

The expert panel will be supported by a small secretariat and other professional resources.

The expert panel will deliver a final report and draft model securities act to Minister Flaherty and to provincial and territorial ministers responsible for securities regulation by the end of 2008. The group will focus on five key areas:

1. The outcomes, principles and performance measures needed to pursue a Canadian advantage in global capital markets;

2. How Canada could best promote and advance proportionate, more principles-based regulation;

3. How this could facilitate and be reinforced by better enforcement;

4. How this regulatory approach could be implemented under a passport system or under a model common act with a common securities regulator; and

5. The transition path, including key steps and timelines, to effect proposed changes to the content, structure and enforcement of regulation.

Today's announcement is situated within the Government's Capital Markets Plan, *Creating a Canadian Advantage in Global Capital Markets*, which was released as part of Budget 2007.

Biographical information on the panel's chair, members and special advisors and on the Executive Director of the secretariat is attached. Also attached are the panel's terms of reference.

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Biographical Notes

Panel Chair

Hon. Tom Hockin, P.C.
Former Minister of State (Finance) and former President, Investment Funds Institute of Canada (IFIC)

Mr. Hockin led the IFIC and the Canadian Institute of Financial Planning from 1994 to 2006. He is a former director of the Institute of Corporate Directors, the Mutual Fund Dealers Association, the Canadian Capital Markets Association and other voluntary boards. As a Member of Parliament and a Minister of State (Finance), he was responsible for the Blue Paper *New Directions for the Financial Sector* in 1986 and the Hockin-Kwinter Accord, which deals with the regulation of the securities-related activities of federally regulated financial institutions. As Minister of International Trade, he carried out the negotiations on the side accords to the North American Free Trade Agreement in 1993. As a former professor, he is the author of several scholarly articles and four books. He was awarded an Honorary Doctor of Commerce by Ryerson University in 2006 for his contribution to public and academic life and for his volunteer work. Mr. Hockin has a business degree from the University of Western Ontario and a master's degree in public administration and Ph.D. in political science from Harvard University.

Panel Members

Ian D. Bruce
Chief Executive Officer, Peters & Co Limited

Mr. Bruce spent six years with a major Canadian chartered accountancy firm before starting in the investment business in 1983. He joined Peters & Co Limited in 1998, following senior roles with RBC Dominion Securities and Scotia Capital Markets. Mr. Bruce is a director and member of the Executive Committee of the Investment Industry Association of Canada and is a member of the Patrons' Council of the Alberta Children's Hospital Foundation. He is a former member of the National Round Table on the Environment and the Economy, a former director of Taylor NGL LP, and a former director and Executive Committee member of the Investment Dealers Association of Canada. He was elected Fellow of the Chartered Accountants in 2004. He holds an undergraduate degree from Queen's University, an MBA from the Richard Ivey School of Business at the University of Western Ontario, and the designation of Chartered Accountant.

Denis Desautels, OC, FCA
Executive-in-Residence, University of Ottawa

Mr. Desautels served as Auditor General of Canada from 1991 to 2001. Prior to that appointment, he had a 27-year career with Ernst and Young, where he latterly was a

senior partner in the Montreal Office and Regional Director of Consulting Services for the Province of Quebec and the National Capital Region. Mr. Desautels is a member of the Accounting Standards Oversight Council of the Canadian Institute of Chartered Accountants, the National Awards in Governance Advisory Committee of The Conference Board of Canada and the Dean's Council at the Telfer School of Management at the University of Ottawa. A graduate of McGill University, Mr. Desautels is Chairman of the Board of the Laurentian Bank of Canada and serves as a board member of Bombardier Inc., Le Groupe Jean Coutu (PJC) Inc., CARE Canada and the International Development Research Centre.

Hal Kvisle
President and CEO, TransCanada Corporation

Mr. Kvisle was appointed in 2001 to his current post with TransCanada Corporation, a leading North American energy company focused on natural gas transmission and power generation. He joined TransCanada in 1999 as Executive Vice-President, Trading and Business Development. Mr. Kvisle is on the Board of Directors of TransCanada Corporation, the Bank of Montreal and the Nature Conservancy of Canada, and is past Chair of the Board of Governors of Mount Royal College. Mr. Kvisle holds an MBA from the University of Calgary and a B.Sc. (Eng.) from the University of Alberta. Prior to joining TransCanada, he was employed by Fletcher Challenge Energy and Dome Petroleum.

Dawn Russell, QC
Associate Professor, former Dean of Law, Dalhousie University

Professor Russell practised corporate and securities law for five years with the firm of Stewart McKelvey Stirling Scales in Halifax before beginning a career as a law professor. She served for nine years as Dean of Dalhousie Law School and is currently an Associate Professor at Dalhousie. She served as co-chair of the Nova Scotia Law Reform Commission between 1995 and 2002 and currently sits as a director of several corporations. Professor Russell also served as a member on the Crawford Panel on a Single Securities Regulator, appointed by the Ontario government in 2005 to develop a model for a common securities regulator.

Terry Salman
Chairman, President and CEO, Salman Partners Inc.

Salman Partners Inc. is a full-service, institutional-based investment firm with offices in Vancouver, Calgary and Toronto. Prior to its founding in 1994, Mr. Salman was instrumental in expanding Nesbitt Thomson's operations into western Canada, the U.S. and Pacific Rim. He spent 21 years with Nesbitt Thomson, reaching the post of Executive Vice-President and Director. Mr. Salman is a member of the Advisory Committee for the Investment Industry Association of Canada, former Chair of the Investment Dealers Association of Canada and former Governor of the Vancouver Stock Exchange. He serves on the boards of many charitable organizations.

Heather Zordel
Partner, Cassels Brock & Blackwell LLP

Ms. Zordel works in the Securities Group at Cassels, focusing on corporate finance and securities regulatory compliance. She brings structured products to market and works with investment funds. She lists companies on the TSX and TSXV and assists public companies in complying with stock exchange and securities commission requirements. In addition to her law practice, Ms. Zordel is the Associate Program Director and a Course Director for the Osgoode LL.M. program in securities law. Her career has included several years working for the TSX. She has a B.Comm. from the University of Saskatchewan and an LL.B. and LL.M. from Osgoode Hall Law School.

Special Advisors

Howard Davies
Director of the London School of Economics (LSE)

Mr. Davies, who became Director of the LSE in 2003, is the former chairman of the U.K.'s Financial Services Authority (FSA). In his work as founding chairman of the FSA, Mr. Davies is regarded as one of the key leaders in bringing regulation of the financial sector in the U.K. from nine separate regulatory agencies to a single regulatory regime. His career has also seen him serve as a Deputy Governor of the Bank of England, Special Advisor to the Chancellor of the Exchequer and Director General of the Confederation of British Industry. Mr. Davies holds a MA in history and modern languages from Merton College, Oxford, and an MSc in management sciences from the Stanford Graduate School of Business.

David Green
Advisor on International Affairs, Financial Reporting Council (FRC)

Mr. Green was Head of International Policy Co-ordination and EU affairs in the Office of the Chairman at the Financial Services Authority from 1998 to 2004, after a 30-year career with the Bank of England. He now advises the FRC, the U.K.'s independent regulator responsible for promoting confidence in corporate reporting and governance, and has been closely associated with the development of the European regulatory system. Mr. Green is also Secretary of the International Forum of Independent Audit Regulators. He is a graduate of Corpus Christi College, Cambridge, and holds an MSc in Financial Economics from the University College of North Wales.

Peter W. Hogg, QC
Professor emeritus, Osgoode Hall Law School, York University

Mr. Hogg is the author of Canada's leading textbook on constitutional law and is currently the Scholar in Residence at Blake, Cassels & Graydon LLP. Educated at the University of New Zealand and Harvard Law School, he taught in New Zealand and

Australia. He became a professor at Osgoode Hall Law School in 1970 and later served as Dean of the Law School from 1998 to 2003. Mr. Hogg has advised the Government of Canada, the Government of Ontario, other provincial governments, legislative committees, various public bodies, aboriginal organizations and private law firms. He has appeared as counsel in a number of constitutional cases, including 13 cases in the Supreme Court of Canada.

Secretariat

David Murchison, Executive Director

Mr. Murchison was Canada's Department of Finance representative in New York City from 2002 to 2007, where he managed relationships with the financial community and provided policy advice largely focused on the financial sector. As a management consultant from 1994 to 2002, he provided advice to the Department of Finance in the area of financial markets and helped manage the Government's retail debt program. Before that, he operated a mid-sized business based in Toronto and immediately prior to that, he served in a number of progressively senior management positions with Imperial Oil Limited. He has an MA in Economics from Queen's University.

Terms of Reference of
Third-Party Expert Panel on Securities Regulation

With Budget 2007, the Government of Canada set out a plan for Canada's capital markets entitled *Creating a Canadian Advantage in Global Capital Markets.* This advantage requires a shared commitment to enhance the content, structure and enforcement of capital markets regulation.

At their meeting on June 19, the Minister of Finance of Canada and the provincial and territorial ministers responsible for securities regulation discussed various approaches to improve securities regulation. At the conclusion of the meeting, the Minister of Finance of Canada announced that, in parallel to existing efforts of provinces and territories to streamline and harmonize securities regulation, the Government of Canada would form a third-party expert panel to advise ministers on the best way forward.

The expert panel will draw on global best practices and build on the strengths of Canada's capital markets. It will also review efforts to date to harmonize and simplify Canada's regulatory system.

The panel's proposals will be respectful of the jurisdictional framework for securities regulation in Canada and will allow willing participation of provinces and territories.

The expert panel will review and advise on the following:

1. The objectives, outcomes and performance measures that will best anchor securities regulation and the pursuit of a Canadian advantage in global capital markets. For example,

    - Efficient and competitive capital markets that contribute to economic growth and prosperity.
    - Market integrity and the protection of investors.
    - The reduction of systemic risk.

2. How Canada could best promote and advance proportionate, more principles-based regulation, starting from existing harmonized legislation and national and multilateral regulatory instruments, with a view to creating a Canadian advantage in global capital markets.

    The regulatory framework will set out principles for regulation. For example, regulation will:

    - be based on clear and sound principles;
    - be applied only where there is a clear net benefit;

- be proportionate to reflect the unique make-up of Canadian capital markets and the needs and capacities of small and mid-sized businesses;
- foster integrity and investor confidence through markets that are fair and transparent;
- be supported by enforcement that is timely, proportionate, effective and consistent;
- foster open markets and competition that will drive innovation and choice for issuers and investors;
- meet or exceed global best practices and standards and minimize impediments to cross-border capital flows;
- draw on international regulatory cooperation; and
- be complemented by efforts to enhance the financial literacy of Canadians so that they may exercise choice and seek advice in an informed manner.

The regulatory framework may also set out principles for business, such as those established by the U.K. Financial Services Authority, e.g.:

- integrity – a firm must conduct its business with integrity;
- skill, care and diligence – a firm must conduct its business with due skill, care and diligence;
- management and control – a firm must take reasonable care to organize and control its affairs responsibly and effectively, with adequate risk management systems;
- financial prudence – a firm must maintain adequate financial resources;
- market conduct – a firm must observe proper standards of market conduct;
- customers' interests – a firm must pay due regard to the interests of its customers and treat them fairly;
- communications with clients – a firm must pay due regard to the information needs of its clients and communicate information to them in a way which is clear, fair and not misleading;
- conflicts of interest – a firm must manage conflicts of interest fairly, both between itself and its customers and between a customer and another client;
- customers: relationships of trust – a firm must take reasonable care to ensure the suitability of its advice and discretionary decisions for any customer who is entitled to rely upon its judgment;
- clients' assets – a firm must arrange adequate protection for clients' assets when it is responsible for them; and
- relations with regulators – a firm must deal with its regulators in an open and co-operative way and must disclose anything relating to the firm of which the regulator would reasonably expect notice.

3. How proportionate, more principles-based regulation could facilitate and be reinforced by better, more coordinated enforcement that could include a separate securities tribunal.

4. How this approach to regulation could be implemented under a passport or under a common securities regulator; and,

5. A model common securities act and a transition path, including key steps and timelines, that participating provinces and territories could adopt to effect proposed changes to the content, structure and enforcement of regulation, including:

    - Implementation of legislation.
    - Implementation of changes to the structure of the regulatory system, as required.
    - Interaction with non-participating jurisdictions, and enabling non-participating jurisdictions to opt-in at a later date.

Process

The third-party expert panel will be supported by a small secretariat and will draw as required on researchers and advisors.

The group will consult with governments and regulators. It will also engage self-regulatory organizations and market participants and encourage input through a web site and written submissions.

It will deliver to the Minister of Finance of Canada and provincial and territorial ministers responsible for securities regulation a final report by the end of 2008.

Funding

The federal government will fund the third-party expert panel.